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SURVEYS OF CONSUMER ATTITUDES

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CONSUMER OUTLOOK:
EARLY VIGOR TO MATURE RECOVERY

by

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CONSUMER OUTLOOK: EARLY VIGOR TO MATURE RECOVERY

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Optimism Maintained at Record Level

The most recent evidence from the Surveys of Consumers, conducted by the Survey Research Center, indicates the maintenance of consumer optimism at record levels. In the third quarter 1984 survey, the Index of Consumer Sentiment was 98.9, just between the 96.6 recorded one quarter earlier and the cyclical peak of 99.5 recorded in the first quarter of 1984. As shown in Chart 1, consumer sentiment has been more favorable thus far in 1984 than in any prior year during the past decade.

The improvement in consumer sentiment during the past few years has been substantial as well as widespread among major population subgroups. Since the 1980 all-time low, the Index of Consumer Sentiment has nearly doubled, rising from just over 50 to just under 100. The rapid pace of improvement recorded in late 1982 and early 1983 was based on very optimistic prospects for future economic gains. By the start of 1984, consumers' assessments of current economic conditions also reached record favorable levels (see Chart 2). These recent shifts in consumer attitudes and expectations have exhibited the typical pattern at crest levels: expectations reached peak levels first, followed by peaks in evaluations of current economic conditions. Of course, the view from a peak is of the valley below. But, by itself, this does not warrant the conclusion that the descent is imminent. As we shall see, consumers expect an extended recovery rather than a renewed recession.

Favorable Economic Prospects
Despite Slower Growth

Both the pace and duration of the ongoing economic expansion has received widespread recognition among consumers. For more than a year now, these surveys have recorded a greater awareness of improvements in the national economy than following any of the prior recessions during the past thirty years. In each of the five quarterly surveys conducted since mid 1983, approximately two-thirds of all respondents thought that economic conditions in the country as a whole had improved during the prior year (Chart 3). In the third quarter 1984 survey, 67 percent reported improved economic conditions, just below the all-time high of 71 percent recorded in the first quarter of 1984.

The rapid pace of economic growth recorded during the first half of 1984, as well as the more recent slowdown, were expected by consumers, as shown in Chart 4. Prospects for improvement in the aggregate economy reached their most favorable level early in 1983. At that time, half of all consumers expected the national economy to improve during the year ahead. In the most recent survey, the proportion of families that expected continued economic growth fell to 33 percent. Importantly, few consumers expected the economy to actually worsen during the year ahead, rising to just 14 percent in the third quarter of 1984 from 9 percent one year earlier. Consequently, slower but sustained economic growth was expected, rather than a renewed recession during 1985.

The expected slowdown in the rate of growth has not diminished the expectation that very favorable economic conditions would nonetheless prevail in both the near and longer terms. In the third quarter 1984 survey, 63 percent of all families expected good times financially in the economy as a whole during the upcoming year, just below the peak of 69 percent recorded in

the first quarter of 1984 (Chart 5). When asked about economic prospects over the next five years, 46 percent of all families expected good times financially, the highest proportion that has been recorded in more than a decade (Chart 6).

No Further Reductions in Unemployment Expected

When the rapid pace of improvement in assessments of the national economy was recorded more than one year ago, it was propelled by expected declines in each inflation, unemployment, and interest rates. Since that time, these three important economic factors have no longer improved in unison. At the present time, the inflation rate is expected to remain largely unchanged at its current reduced level, underpinning the overall favorable financial outlook for the year ahead. But no further reductions in the aggregate unemployment rate are expected, reflecting the slower growth prospects for the year ahead. And interest rates are expected to increase during the year ahead, reflecting in part consumers' views on budget deficits.

Price expectations have declined considerably during the past several years, from a high of 11.9% at the start of 1980 to a low of 4.3% at the start of 1983. As shown in Chart 7, price expectations have remained largely unchanged since then at those low levels. Chart 8 shows the correspondence of price expectations, led two quarters, and actual changes in the CPI. In the third quarter of 1984, consumers expected the annual inflation rate to average 4.4%. The cumulative four year change has been quite dramatic: in 1980, nearly three-quarters of all families expected inflation to average 5% or more; in contrast, by 1984, nearly three-quarters of all families expected inflation to average 5% or less. This sustained decline in inflation has had a pervasive impact on a wide range of consumers' attitudes and expectations.

It has been the primary factor behind the maintenance of improved outlook for the national economy as well as for the financial prospects of individual families.

Unemployment expectations reached their most favorable cyclical level more than a year ago, and have since then weakened (see Chart 9). Among all families in the third quarter 1984 survey, 25 percent expected unemployment to decline during the year ahead, down from the favorable peak of 40 percent recorded in the second quarter of 1983. The proportion of families that expected increases in the rate of unemployment rose to 21 percent in the third quarter 1984 survey, up from a low of 15 percent in the second quarter of 1983. Importantly, rather than renewed increases, the majority (52 percent) now expect the unemployment rate to remain largely unchanged during the year ahead at about the 7% level. Chart 10 shows the correspondence of expected trends in unemployment, led three quarters, and the actual percentage point change in the aggregate unemployment rate.

Confidence in Government

In the third quarter 1984 survey, confidence in government economic policies to reduce inflation and unemployment reached its most favorable level during the last decade (Chart 11). Among all families in the third quarter 1984 survey, 33 percent favorably rated government economic policies, up from 27 percent one year earlier, and 18 percent two years earlier. Unfavorable evaluations of economic policies were given by 19 percent of all families in the third quarter of 1984, down from 22 percent one year earlier, and 33 percent two years earlier.

To be sure, two other aspects of government economic policies were topics of public debate during this past election year--taxes and deficits. When questioned in the September 1984 survey, President Reagan's reelection

was widely expected, yet increases in personal income tax rates were also expected by the majority--even among those that expected Reagan to be reelected (see Tables A-C). Apparently, death and taxes are similar in two respects: both are seen as inevitable, and neither should be promised in advance. In any event, the widely held expectation of both Reagan's reelection as well as a tax increase in the upcoming year indicate their limited impact on future sentiment trends.

The public's concern with federal budget deficits has greatly heightened in recent years, and few consumers expect successful actions to reduce the budget deficits in the near or longer terms (Tables D-F). Yet, despite this heightened concern, the majority of consumers did not expect the deficits to have either a significant positive or negative influence on prospects for economic conditions in the country as a whole in the near term (Table G). Consumers did expect the deficits to result in higher interest rates, but alone these expected increases were insufficient to cloud the short term outlook for the entire economy (Table H). These opinions about deficits imply that, in addition to death and taxes, budget deficits are now also viewed as inevitable.

Interest rate expectations reached their most favorable level earlier than inflation and unemployment expectations, in late 1982, and have since then worsened to a significant extent. In the third quarter 1984 survey, 55 percent of all families expected interest rate increases during the year ahead, compared with just 13 percent that expected interest rate declines. This represents only a small improvement over the bleak assessments recorded in the second quarter, when 66 percent expected increases (Chart 12). The correspondence of interest rate expectations, led two quarters, and the percentage point change in the prime rate is shown in Chart 13.

Personal Finances: Best in Decade

The financial situation of American families has substantially improved during the past several years. By the start of 1984, the highest proportion of families in more than a decade reported that their financial situation had improved, and since then that proportion has remained unchanged at that very favorable level (Chart 14). In these surveys, 45 percent of all families cited recent improvement in their financial situation, nearly twice the number that reported financial reversals. These very favorable evaluations stand in sharp contrast to four years earlier, when the all-time low was recorded in the second quarter of 1980. Instead of the current favorable margin of nearly two-to-one, nearly twice as many families reported financial reversals rather than improvements at that time (25 versus 48 percent).

This substantial improvement has been due to steady declines in inflation, and more recently, to increases in household income and employment. The proportion of families that complained about declines in the purchasing power of their income due to inflation fell steadily from its all-time peak of 46 percent at the end of 1979 to just 12 percent in the third quarter of 1984, the lowest level recorded in a decade (Chart 15). In contrast to the sustained decline in inflation, trends in family incomes at first briefly improved, then declined sharply from renewed recession and record setting unemployment. Reports of actual income declines rose sharply in 1982, reaching a 20-year peak of 24 percent by the start of 1983. The proportion of families that reported income declines has fallen since then to just 13 percent in the most recent survey. And, reports of income increases during that same time rose from 27 to 36 percent.

The recent improvement in their financial situation was widely expected in advance by consumers, as recorded in the surveys conducted during the prior year. It was in the second quarter of 1983 that personal financial expectations first reached record favorable levels, when 40 percent of all families expected an improved financial situation during the following year. Since that time, personal financial expectations have remained largely unchanged at those favorable levels. In the third quarter 1984 survey, 37 percent expected to be better off financially, compared with just 9 percent that expected their financial situation to worsen during the year ahead. In contrast, the most unfavorable outlook for personal finances ever recorded in these surveys occurred in the second quarter of 1979, when more families expected their financial situation to worsen rather than to improve (29 versus 21 percent). Since that time, personal financial prospects have improved through two recessions with only small reversals in overall trend (see Chart 16).

The sustained improvement in the outlook for personal finances has been primarily due to declines in inflation, not to larger expected income increases. The same proportion of families in the most recent survey as four years earlier expected to receive income increases during the following year--64 percent (see Chart 17). Although the number of families expecting increases has remained unchanged, the size of the expected increases has not. At the 1980 lowpoint, income increases of 6% or more were expected by 44 percent, which subsequently fell to 34 percent in the most recent survey. At the same time, the proportion of families that expected smaller income increases--under 6%--rose from 14 to 25 percent. Despite the decline in the size of the expected increase, the expected declines in inflation were even sharper. For example, although 44 percent of all families expected income

increases of 6% or more in 1980, at that same time, 48 percent of all families also expected an annual inflation rate of 6% or higher. In contrast, in the third quarter of 1984, when 34 percent expected income increases of 6% or more, just 20 percent of all families expected prices to increase by that much. At the present time, two-thirds of all American families expect their income to keep pace with or exceed the rate of inflation during the year ahead (Chart 18).

The cumulative improvements recorded in their financial situation during the past few years have led consumers to view longer term trends more favorably in 1984 than any other time during the prior decade. In the third quarter survey, 60 percent of all families reported that their financial situation had improved compared with five years earlier, the highest proportion of families to report financial progress since 1972. Prospects for an improved financial situation during the next five years were also at decade high levels in 1984. In the third quarter, 53 percent of all families expected their financial situation to improve during the next five years, unchanged from the start of 1984, and the highest proportion recorded since 1972. Just 10 percent of all families in the most recent survey expected their financial situation to worsen, on balance, during the next five years.

Buying Attitudes Remain Favorable

The improved financial situation of American families has increased their willingness to use savings or to incur new debt in order to make major purchases. Among all families in the third quarter 1984 survey, 40 percent reported their willingness to use accumulated savings in order to make major purchases, unchanged since the start of 1984 at the highest level recorded in more than five years. When asked about their use of debt, 27 percent indicated their willingness to use credit in the third quarter survey, just

below the 29 percent recorded at the start of 1984, which was the highest level posted since the mid 1970s.

Consumer predispositions to use savings and debt have been accompanied by favorable attitudes toward buying conditions for major household durables, vehicles, and homes. The widespread references to both price discounts and lower interest rates were responsible for the initial phase of improvement, and the small recent declines in favorable attitudes resulted from the diminished frequency of these references.

Durables. Attitudes toward buying conditions for large household durables have remained largely unchanged at very favorable levels since the start of 1984 (Chart 19). Among all families in the third quarter 1984 survey, 71 percent favorably rated buying conditions for durables, just below the all-time peak of 72 percent recorded in the second quarter. The primary reason for these very positive attitudes has been favorable perceptions of market prices for household durables (Chart 21). In the third quarter 1984 survey, 34 percent of all families mentioned the appeal of price discounts, compared with just 10 percent that mentioned their aversion to recent price increases on household durable goods. Unfortunately, the 34 percent that referred to the availability of lower prices represents a decline from 40 percent at the start of 1984, which was the highest level recorded during the past two decades. Thus far, however, the shift has been limited to the decline in the availability of discounted prices, since complaints about increased prices for durables have remained relatively infrequent during the past year--at about 10 percent.

Vehicles. As shown in Chart 22, attitudes toward buying conditions for vehicles have remained near cyclical peak levels since the second quarter of 1983. Chart 23 shows the relationship of these attitudes, led two

quarters, with actual trends in new car sales. Favorable car buying attitudes were held by 60 percent of all families in the third quarter of 1984, just below the 64 percent recorded six months and one year earlier. This small decline during the past year has been due to less frequent references to price discounts and rebates, cited by 21 percent of all families in the third quarter 1984 surveys, down from 26 percent one year earlier (Chart 25). Favorable references to buying-in-advance of rising vehicle prices rose to 19 percent in the third quarter 1984 survey, up from 13 percent one year earlier (Chart 24). In addition, fewer consumers referred to the availability of reduced interest rates on vehicle loans in the third quarter 1984 survey (19 percent) than one year earlier (33 percent).

Homes. Favorable attitudes toward buying conditions for homes reached cyclical peak levels in the second quarter of 1983, and have since declined, but on balance have remained favorable (Chart 26). Among all families in the third quarter 1984 survey, 50 percent favorably rated buying conditions for houses, down from 59 percent one quarter earlier, and the peak of 64 percent recorded in the second quarter of 1983. The major reason for the recent decline in favorable home buying attitudes has been interest rate increases (Chart 28). In early 1984, expected interest rate increases caused some consumers to cite the advantage of buying-in-advance of rising mortgage rates, but these opinions were quickly replaced by a greater willingness to postpone purchases when interest rates increased in the summer months (Table J). Reflecting the recent small improvements in interest rate expectations, references to buying-in-advance of rising mortgage rates fell to 13 percent in the third quarter, down from a peak of 20 percent recorded one quarter earlier. At the same time, complaints about high mortgage rates rose to 38 percent in the third quarter from 27 percent in the second quarter.

Summary Outlook

The speed, extent, and length of the current recovery in consumer attitudes and expectations have been distinctive. By the start of 1983, the dominant characteristic was the very rapid growth in favorable attitudes and expectations. By the start of 1984, the focus shifted to the extent of the recovery, as optimism reached record levels. Now, as we near the end of 1984, the prolonged length of time that sentiment has remained at very favorable levels has become its most distinctive aspect. These trends point toward the reestablishment of consumer spending to high levels through mid 1985.

How will trends in consumer attitudes and expectations evolve during the year ahead? It would be easy to suggest that the year-long record levels of optimism cannot be long maintained; but this would be misleading. To be sure, the most recent surveys indicate that economic prospects have tilted toward a slower pace of improvement, and interest rate increases at mid year have dulled otherwise favorable buying attitudes. But no evidence has yet been recorded to indicate that the slowdown is expected to lead to a recession during the year ahead. Rather, the evidence suggests that consumers expect an extended period of slow growth, but nonetheless favorable economic conditions.

Persistently high interest rates are viewed by consumers as the primary restraint on more vigorous growth. Unlike the period of growth in consumer sales in the mid 1970s, when low real interest rates greatly stimulated credit spending, especially home purchases, the current high real rates will favor non-credit purchases and additions to savings. A more comparable period in the past would be the growth recession of the mid 1960s, when constraints on the availability of consumer credit lowered spending on houses and cars, but these declines were offset in the aggregate by increased business and government spending. Fortunately, during the past decade the

availability of consumer credit has greatly expanded, as have the types of credit arrangements. Moreover, the recent declines in interest rates will stimulate sales during the upcoming months. Nonetheless, these sales increases will remain susceptible to reversal if interest rates again climb during the year ahead.

CHART 1 - HISTORICAL SERIES

THE INDEX OF CONSUMER SENTIMENT

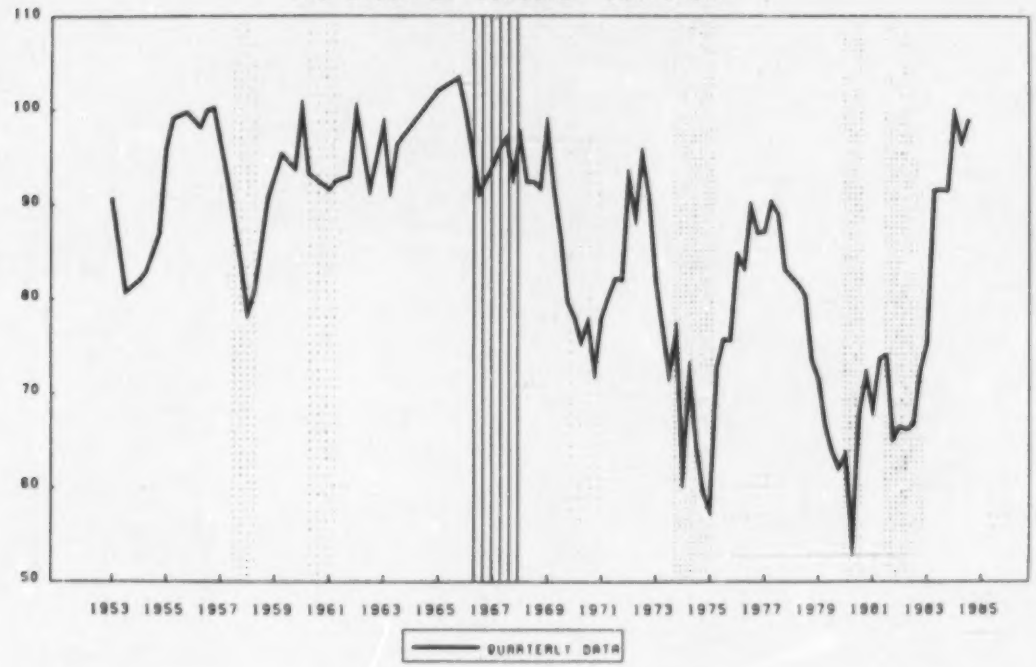


CHART 2 - HISTORICAL SERIES

CURRENT AND EXPECTED COMPONENTS

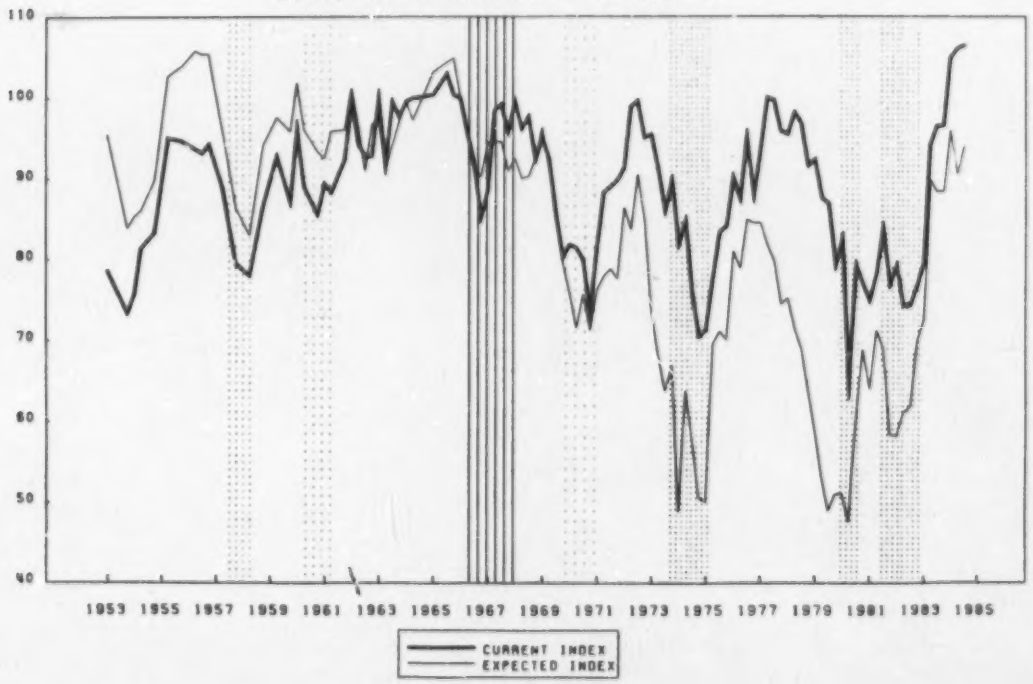


CHART 3 - HISTORICAL SERIES

CURRENT BUSINESS CONDITIONS COMPARED WITH A YEAR AGO

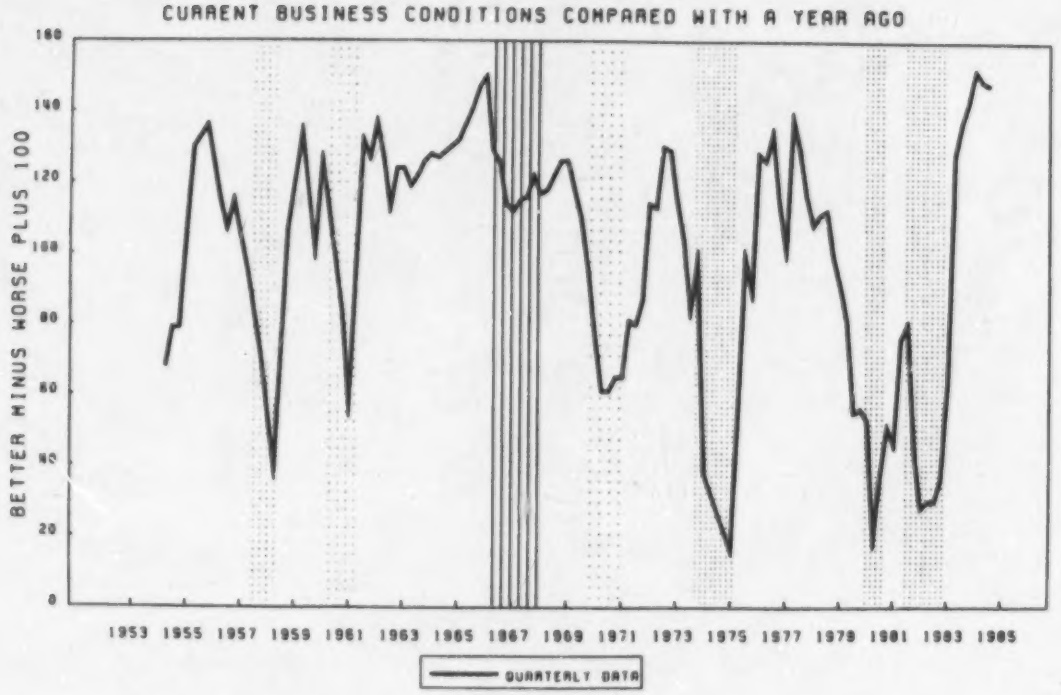


CHART 4 - HISTORICAL SERIES

EXPECTED CHANGE IN BUSINESS CONDITIONS IN A YEAR

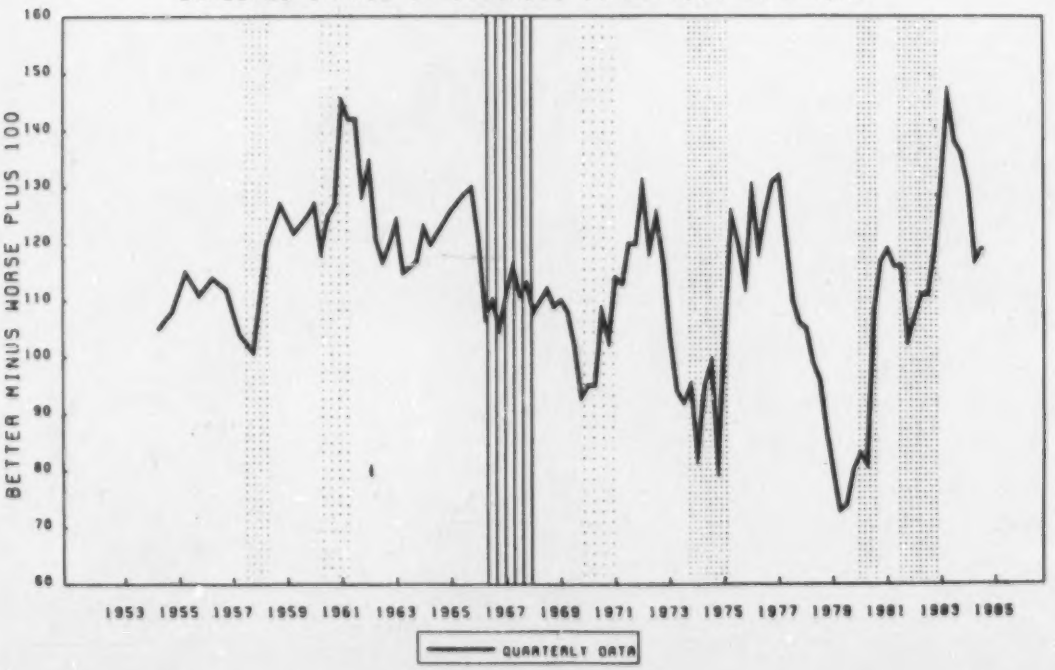


CHART 5 - HISTORICAL SERIES

BUSINESS CONDITIONS EXPECTED DURING THE NEXT TWELVE MONTHS

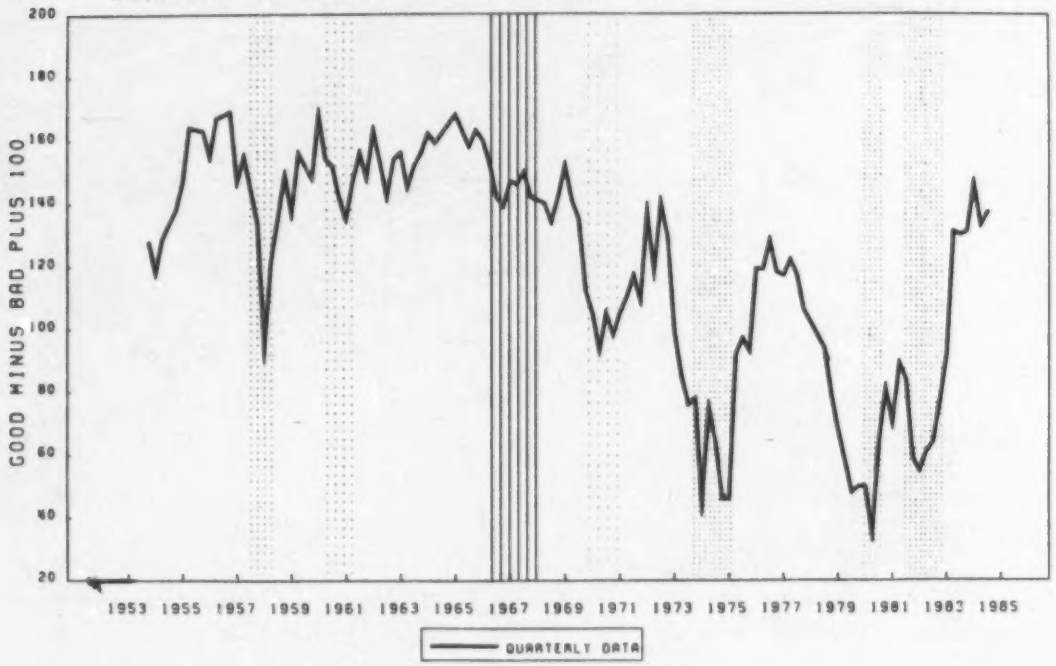


CHART 6 - HISTORICAL SERIES

BUSINESS CONDITIONS EXPECTED FOR THE NEXT FIVE YEARS

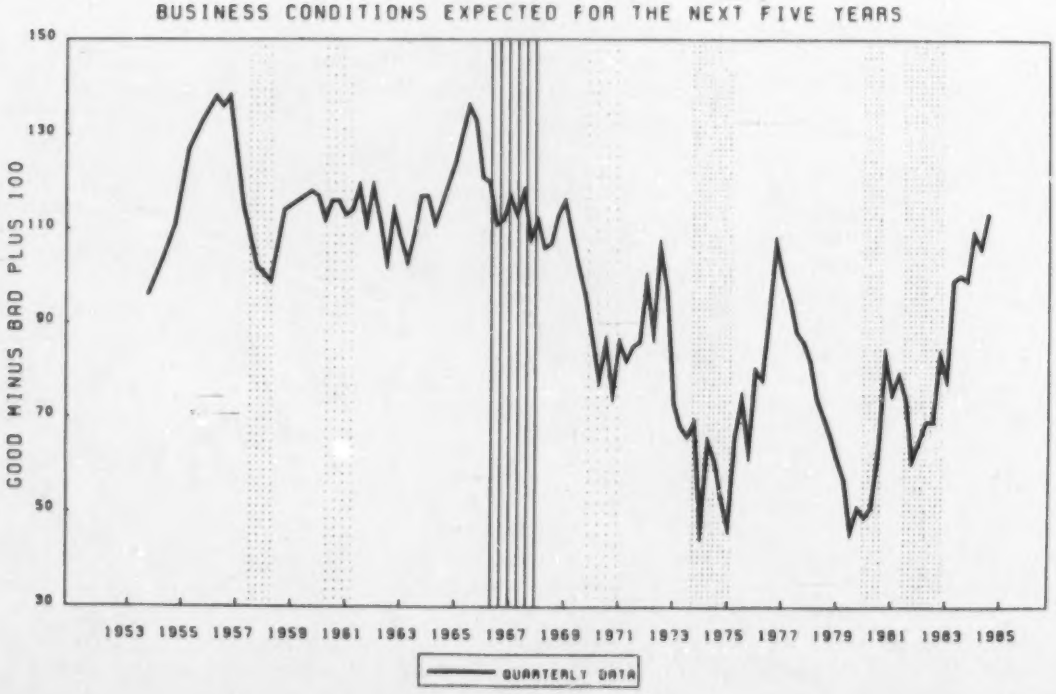


CHART 7 - HISTORICAL SERIES

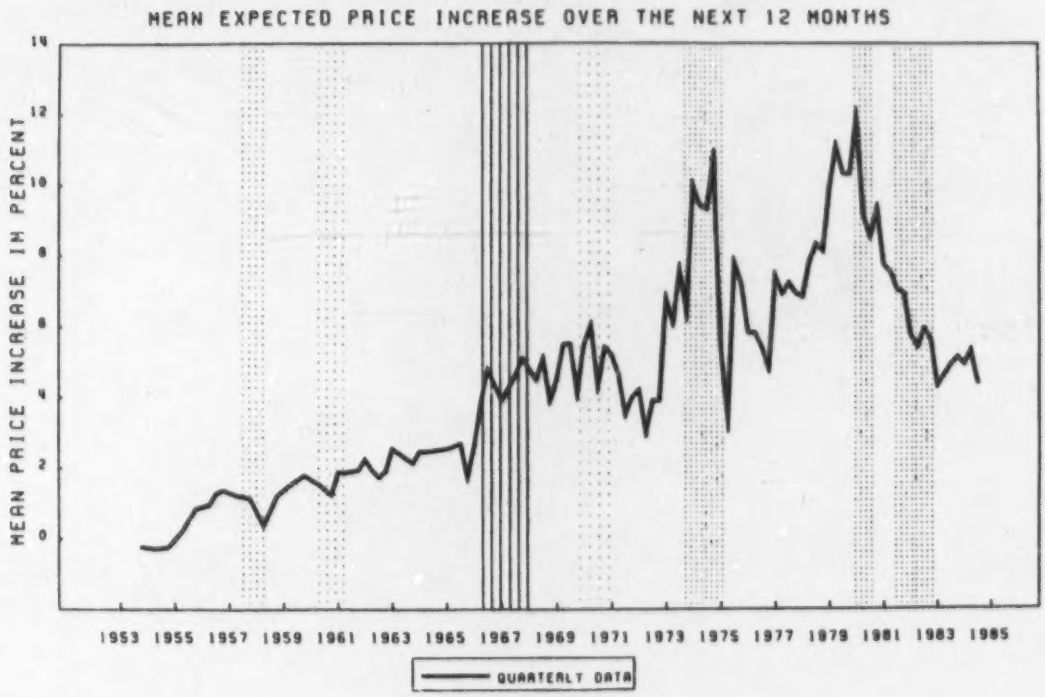
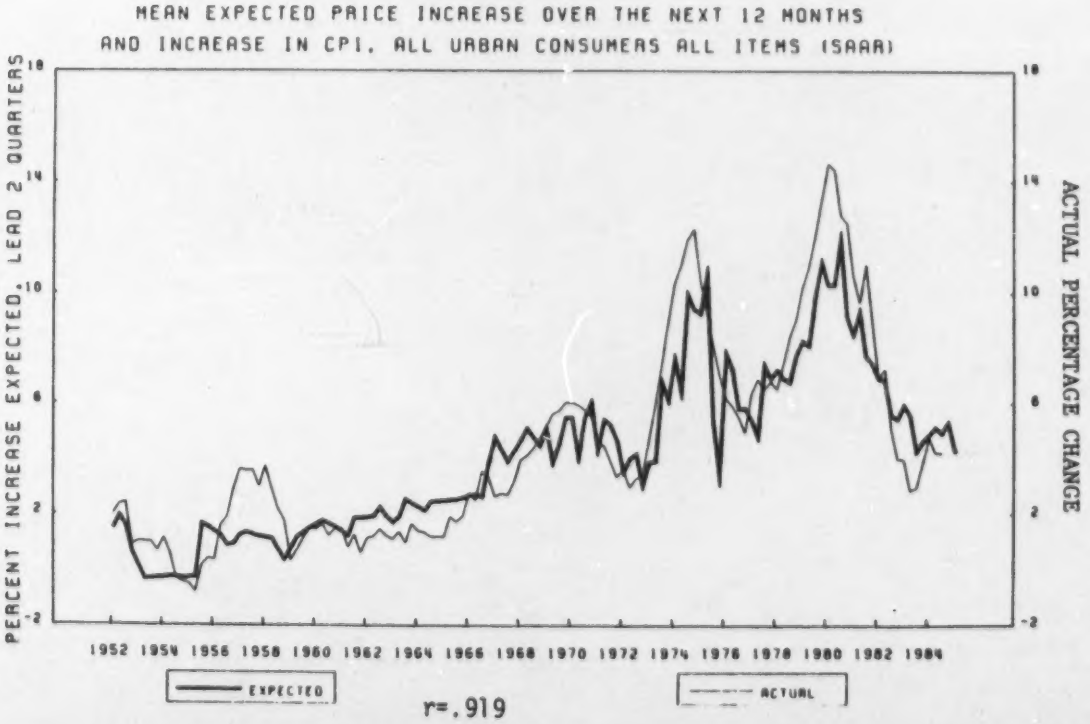


CHART 8


MEAN EXPECTED PRICE INCREASE OVER THE NEXT 12 MONTHS
AND INCREASE IN CPI, ALL URBAN CONSUMERS ALL ITEMS (SAAR)
PERCENT INCREASE EXPECTED, LEAD 2 QUARTERS
ACTUAL PERCENTAGE CHANGE
18
14
10
6
2
-2
1952 1954 1956 1958 1960 1962 1964 1966 1968 1970 1972 1974 1976 1978 1980 1982 1984
EXPECTED
ACTUAL

r=.919

CHART 9 - HISTORICAL SERIES

EXPECTED CHANGE IN UNEMPLOYMENT

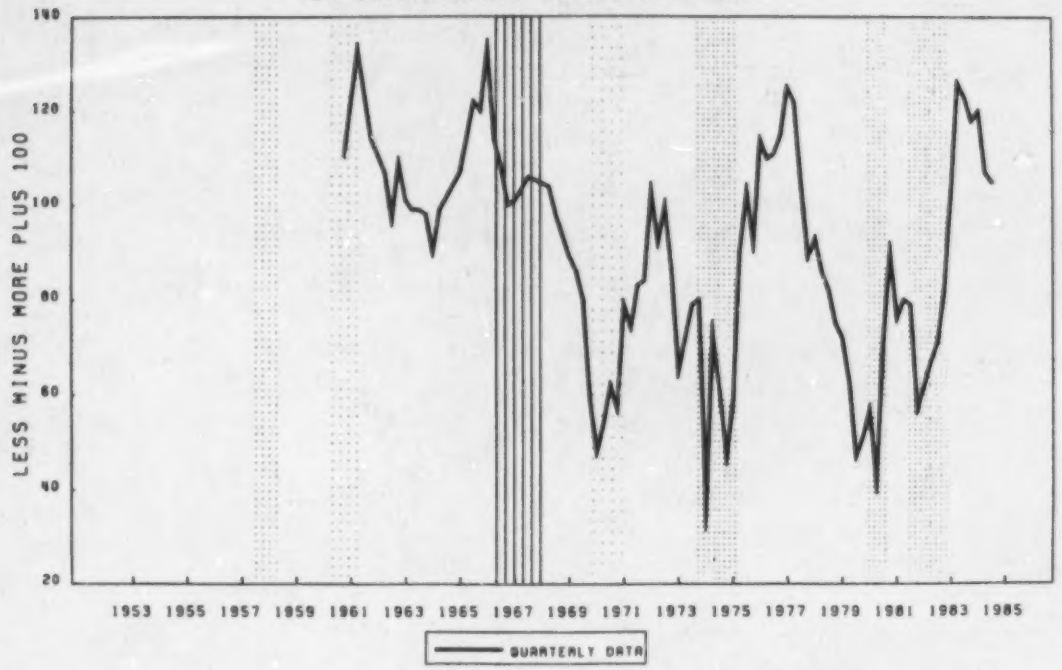


CHART 10

UNEMPLOYMENT EXPECTATIONS AND THE PERCENTAGE POINT CHANGE IN THE UNEMPLOYMENT RATE

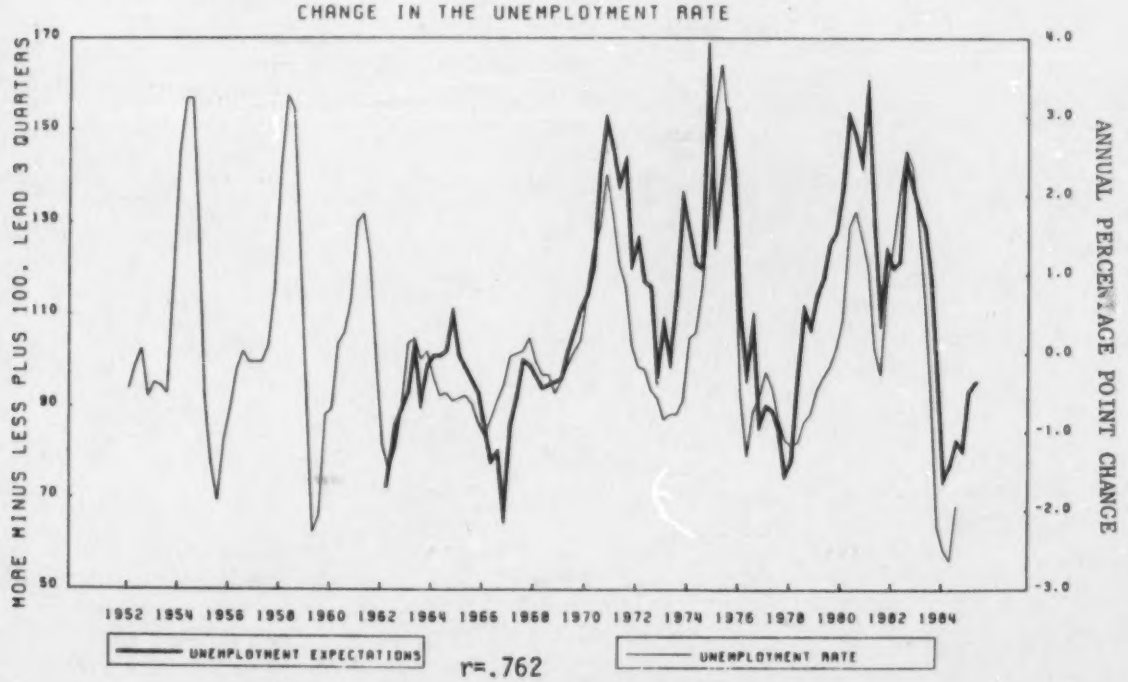


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CHART 11 - HISTORICAL SERIES

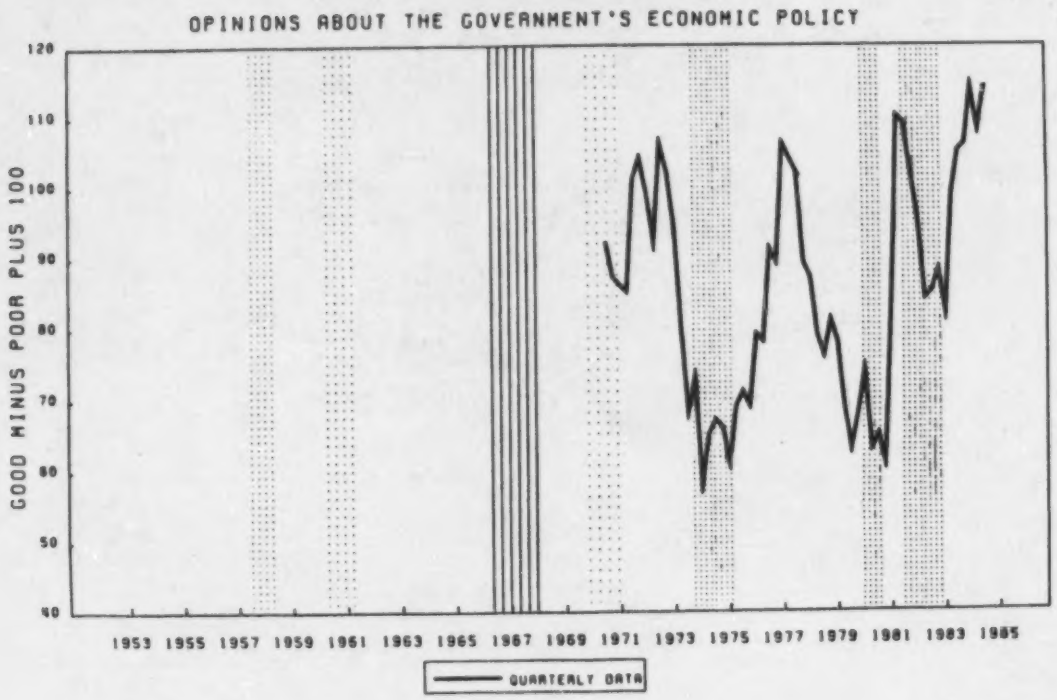

TABLE A

EXPECTED OUTCOME OF THE PRESIDENTIAL ELECTION
(September 1984)

	Candidate Expected To Win	Candidate Better for Economy
Reagan	79%	58%
Mondale	15	30
Don't know	4	6
NA	2	6
Total	100%	100%
Cases	690	690

The questions were: "Who do you think will be elected President in November--Reagan or Mondale?
"Looking ahead to the next year or so, do you think economic conditions in the country as a whole would be better if Reagan were elected, or would they be better if Mondale were elected?"

TABLE B

EXPECTED CHANGES IN PERSONAL INCOME TAX RATES

(September 1984)

Expected Change in Personal Tax Rates	All Families	Expected Winner	
		Reagan	Mondale
Increase	56%	53%	70%
Unchanged	36	41	21
Decrease	5	4	9
Don't know	2	2	*
NA	1	*	*
Total	100%	100%	100%
Cases	690	545	104

The question was: "During the next year or so, do you expect federal income tax rates for individual taxpayers to increase, stay the same, or decrease?"

TABLE C

RELATIONSHIP OF ELECTION PROSPECTS AND CONSUMER SENTIMENT

	All Families	Win Election		Tax Rate Change		Expect Reagan Victory and... Taxes	
		Reagan	Mondale	Same or Down	Tax Increase	Same or Down	Tax Increase
Index	100.9	106.2	79.7	110.8	94.0	114.8	99.1
Personal Finances							
Next year	131[a]	136	108	140	125	141	134
Next 5 years	143	148	125	158	135	159	140
Business Conditions							
Next year	142	153	97	161	128	168	141
Next 5 years	116	123	81	132	104	139	110
Market Conditions							
Durables	154	158	144	167	145	173	145
Vehicles	124	130	102	144	112	146	119
Houses	102	109	82	111	98	116	104

[a]Table entries represent the proportion giving favorable replies minus the proportion giving unfavorable replies plus 100.

TABLE D

AWARENESS OF THE FEDERAL BUDGET DEFICIT

Awareness of Budget Deficit	Nov. 1961	Feb. 1973	March 1984
Deficit	54%	55%	81%
Very Concerned	NA	23	45
A Little Concerned	NA	22	29
Not at all Concerned	NA	10	7
Budget Balanced	4	9	6
Don't Know	41	35	10
NA	1	1	3
Total	100%	100%	100%
Cases	956	1348	700

The questions were: (Feb. 1973, March 1984) "Do you happen to know whether the federal government is spending more money than it is taking in, so that it is operating with a deficit at present, or are federal government revenues and spending pretty much in balance?"

(Nov. 1961) "Now I have a few questions about the federal government; do you happen to know whether the federal government is now operating with a deficit?"

(Feb. 1973, March 1984) "Is this deficit something about which you are very concerned, a little concerned, or not at all concerned?"

TABLE E

EXPECTED REDUCTION IN THE FEDERAL BUDGET DEFICIT WITHIN THE NEXT YEAR
(March 1984)

Expected Deficit	All Households
Reduced	14%
Same	29
Increased	49
Don't Know	5
NA	3
Total	100%
Cases	700

The question was: "During the next year or two, do you think the size of the annual budget deficit will be reduced, will the size of the deficit remain about the same, or will the size of the annual budget deficit increase?"

TABLE F

EXPECTED REDUCTION IN THE FEDERAL BUDGET
DEFICIT WITHIN THE NEXT FIVE TO TEN YEARS
(March 1984)

Expected Federal Budget	All Households
Balanced Budget	20%
Remain in Deficit	73
Don't Know	5
NA	2
Total	100%
Cases	700

The question was: "During the next 5 to 10 years, do you think the federal government will be successful in balancing the budget, or will the federal budget remain in deficit?"

TABLE G

THE EFFECTS OF FEDERAL BUDGET DEFICITS ON BUSINESS CONDITIONS

Effects of Deficits On Business Conditions	April 1982	March 1984
Better	7%	10%
No Difference	53	56
Worse	33	28
Don't Know	5	4
NA	2	2
Total	100%	100%
Cases	702	700

The question was: "Do you think the federal budget deficit expected during the next year will make business conditions in the country as a whole better or worse than at present, or won't it make much difference?"

TABLE H

THE RELATIONSHIP BETWEEN OPINIONS ON FEDERAL DEFICITS
AND CONSUMER ATTITUDES AND EXPECTATIONS
(MARCH 1984)

	Index of Consumer Sentiment	Proportion that Expected Increases in Interest Rates
Concern With Budget Deficit		
Very Concerned	100.8	53
A Little Concerned	105.9	39
Not at all Concerned	106.8	29
Expected Deficit Within 1 Year		
Reduced	114.6	31
Same	101.8	38
Increased	99.1	54
Expected Budget Within 5 Years		
Balanced Budget	106.8	40
Remain in Deficit	101.8	48
Effects of Deficit on Business Conditions		
Better	114.7	34
No Difference	105.4	39
Worse	92.1	62

CHART 12 - HISTORICAL SERIES

EXPECTED CHANGE IN INTEREST RATES

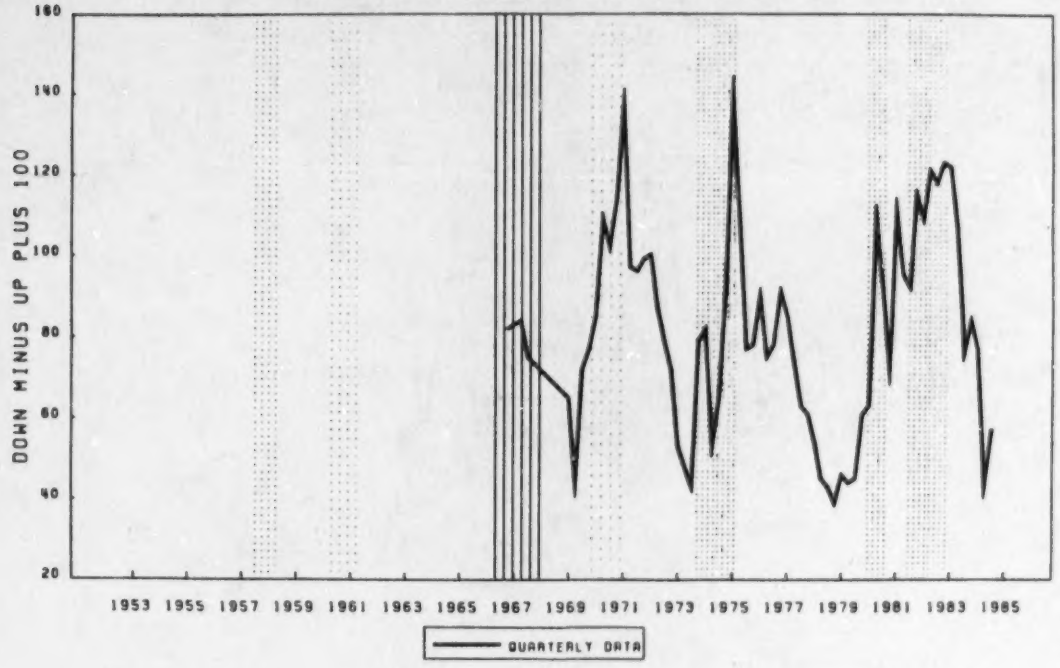

CHART 13

INTEREST RATE EXPECTATIONS AND THE
PERCENTAGE POINT CHANGE IN THE PRIME RATE

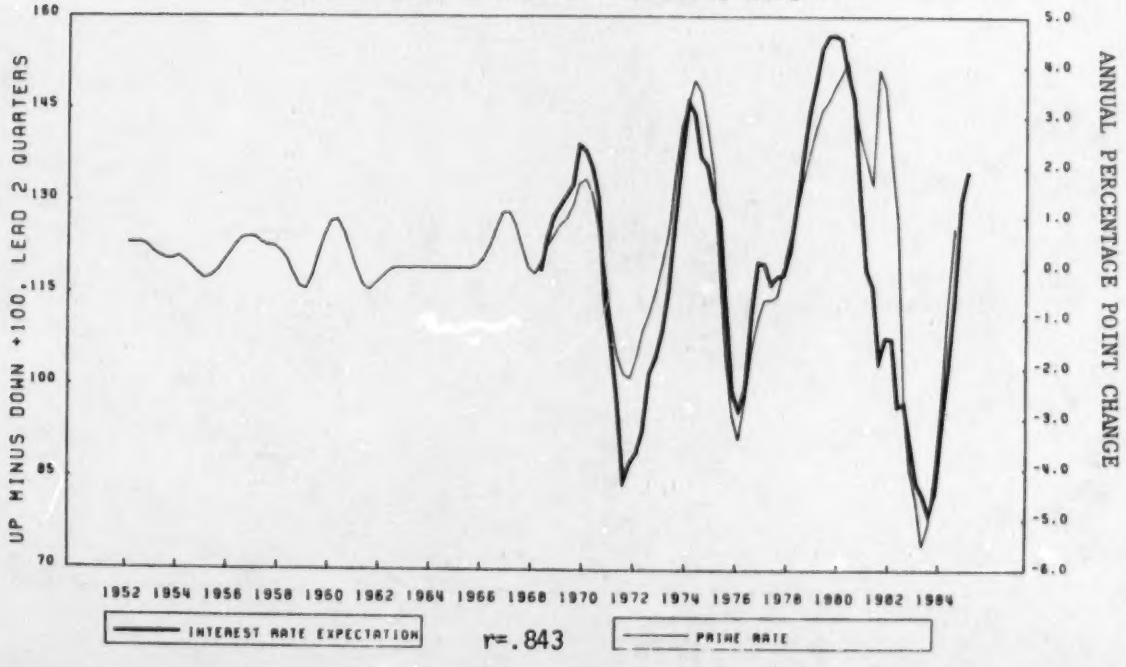

CHART 14 - HISTORICAL SERIES

CURRENT FINANCIAL SITUATION COMPARED WITH A YEAR AGO

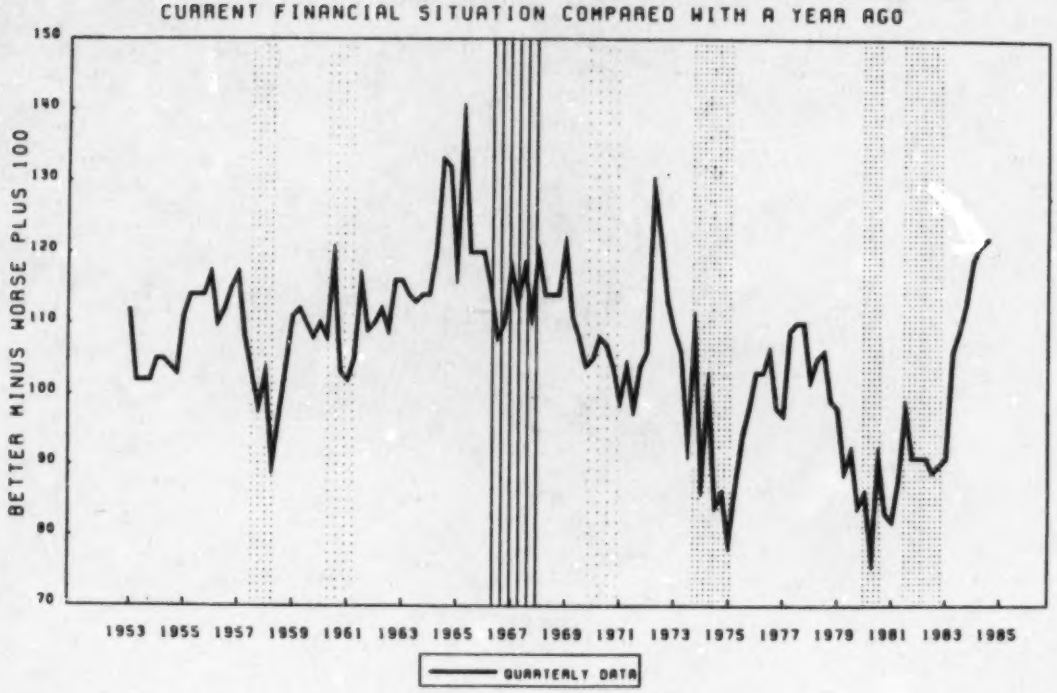

CHART 15 - HISTORICAL SERIES

REASONS FOR OPINIONS ABOUT PERSONAL FINANCIAL SITUATION

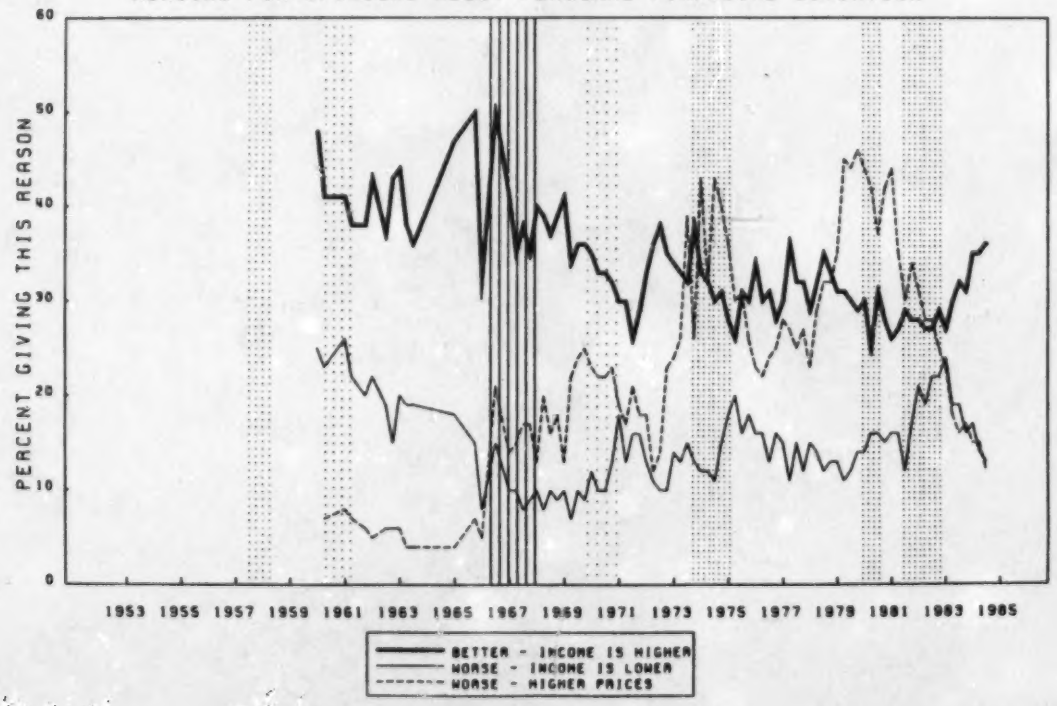

CHART 16 - HISTORICAL SERIES

EXPECTED CHANGE IN FINANCIAL SITUATION

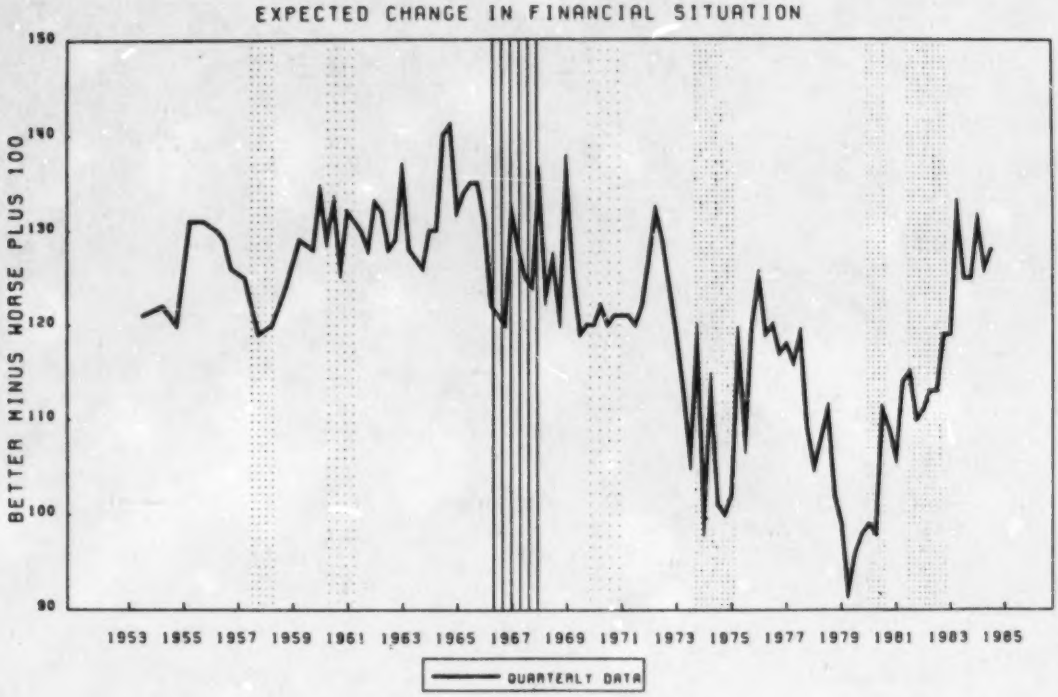

CHART 17 - RECENT CHANGES

MEDIAN EXPECTED CHANGE IN FAMILY INCOME

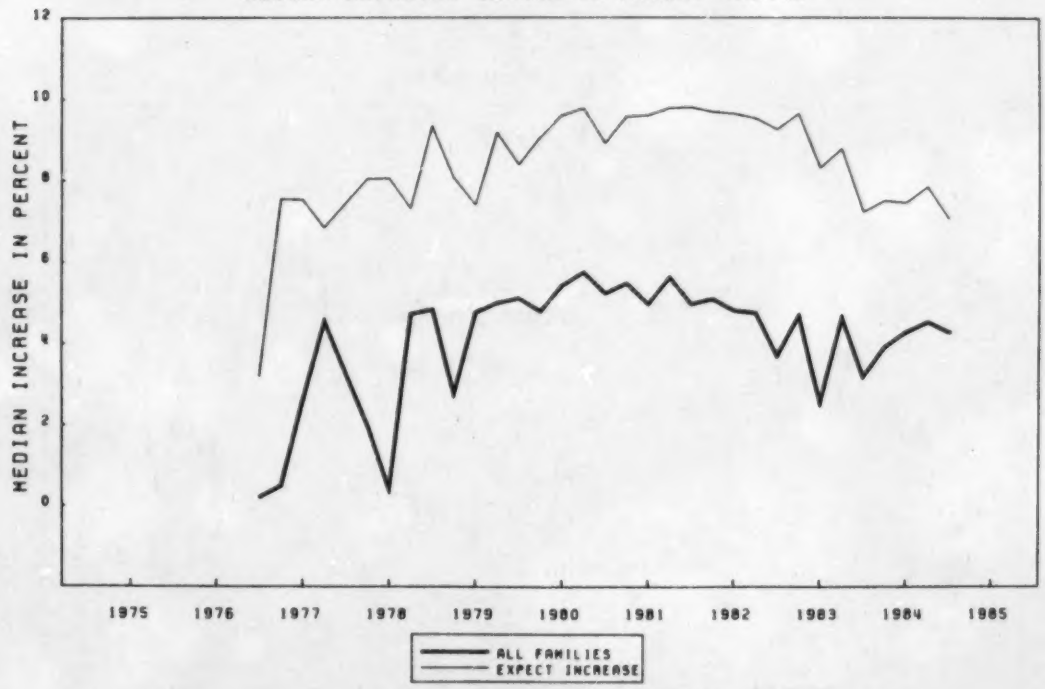

CHART 18 - RECENT CHANGES

INCOME OR PRICES UP MORE DURING THE NEXT YEAR

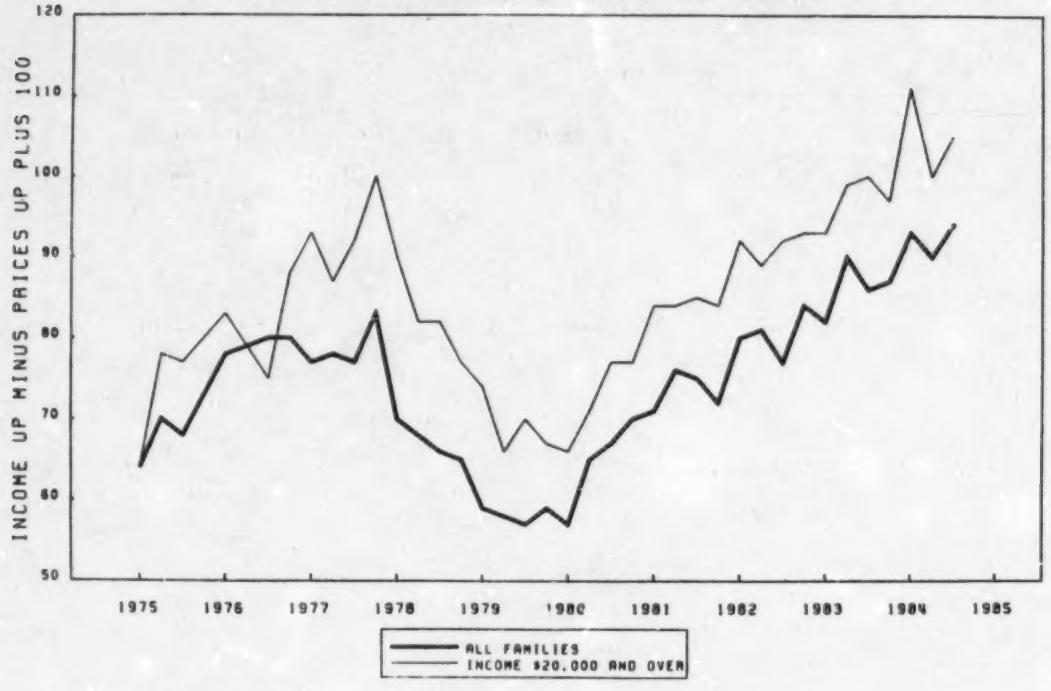

CHART 19 - HISTORICAL SERIES

BUYING CONDITIONS FOR LARGE HOUSEHOLD GOODS

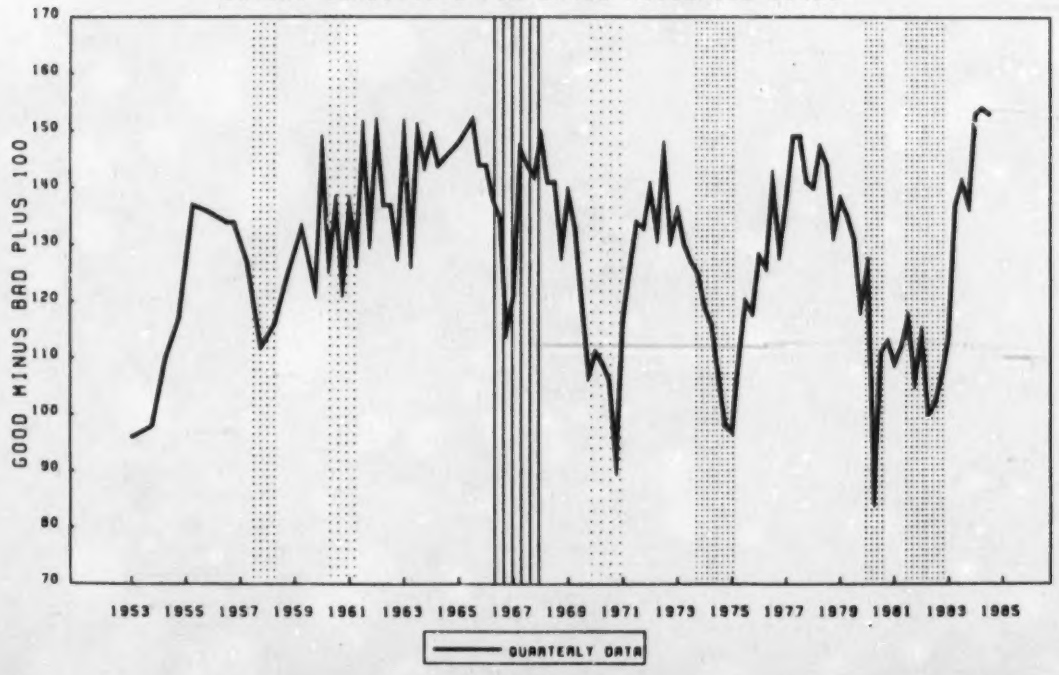

CHART 20 - HISTORICAL SERIES

REASONS FOR OPINIONS ABOUT BUYING CONDITIONS FOR DURABLES

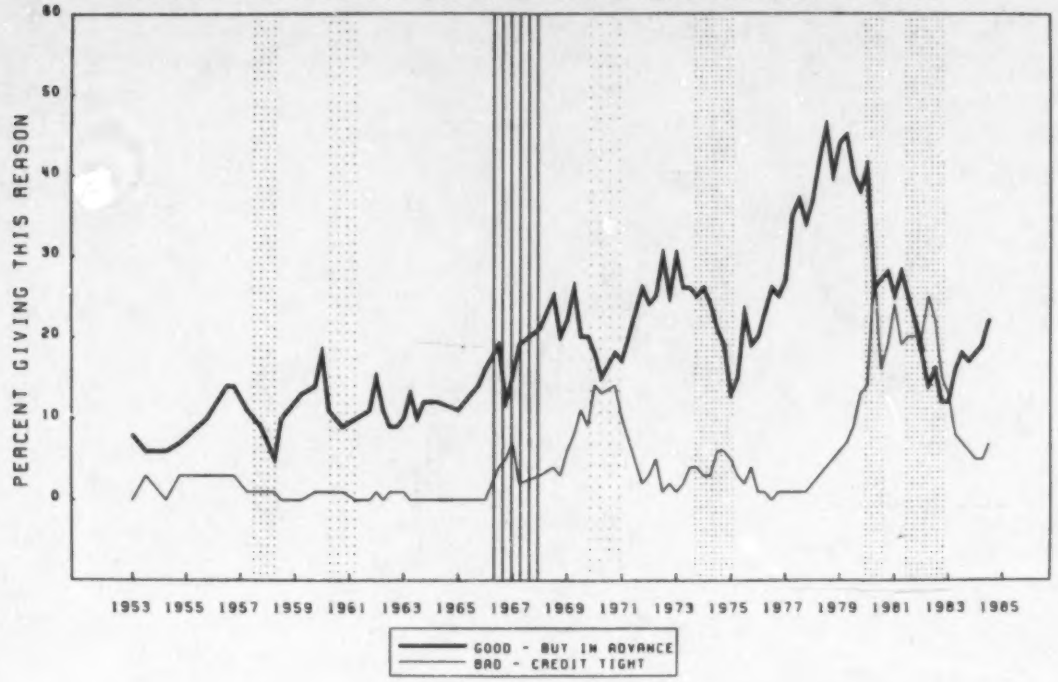

CHART 21 - HISTORICAL SERIES

REASONS FOR OPINIONS ABOUT BUYING CONDITIONS FOR DURABLES

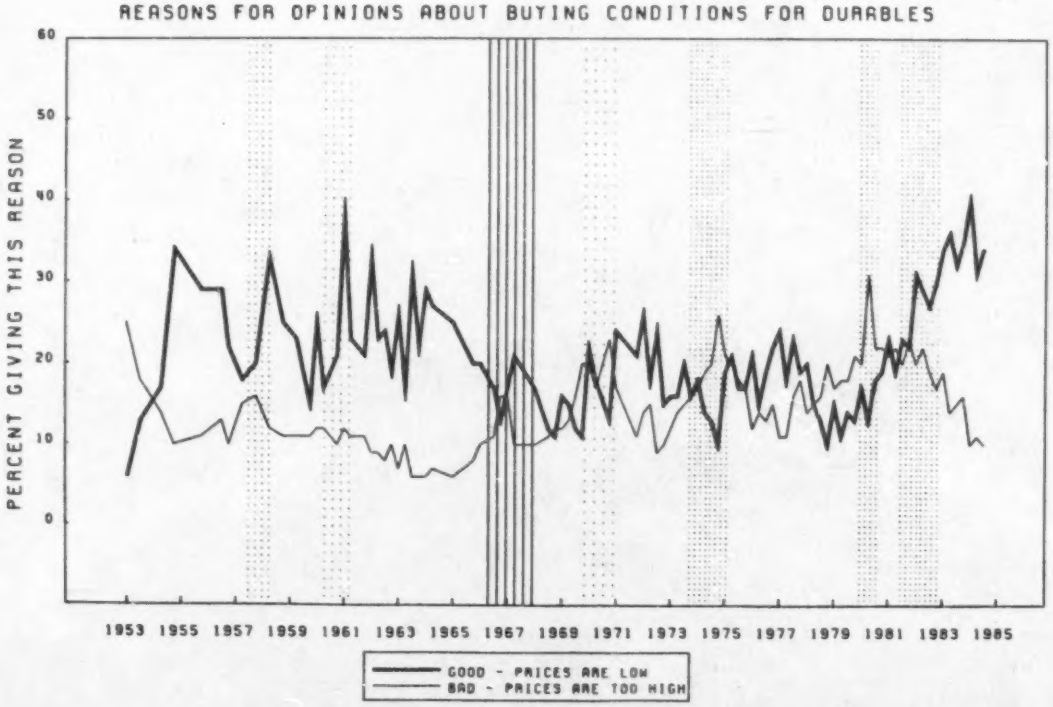

CHART 22 - HISTORICAL SERIES

BUYING CONDITIONS FOR CARS

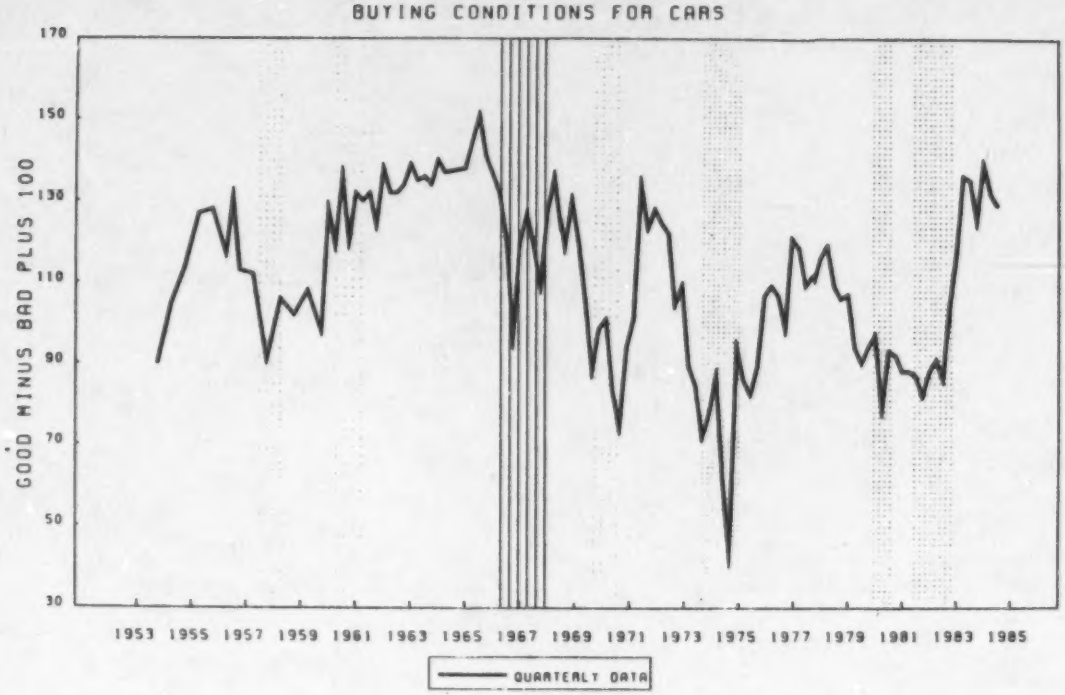

CHART 23

ATTITUDES TOWARD BUYING CONDITIONS FOR CARS
AND TOTAL UNIT CAR SALES

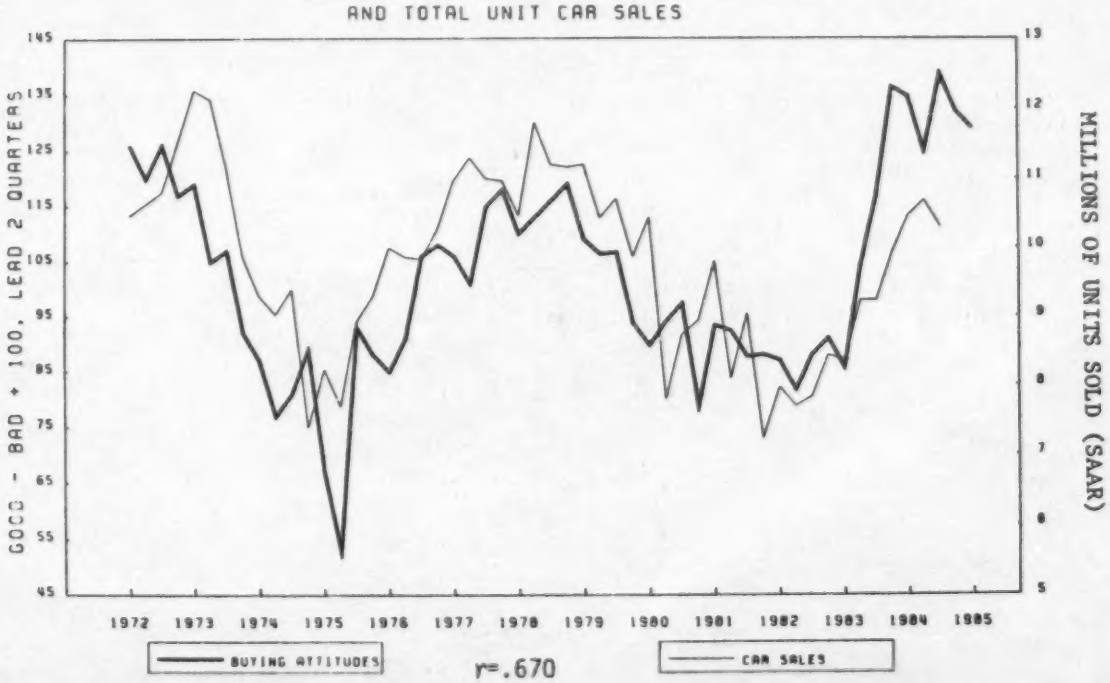

CHART 24 - HISTORICAL SERIES

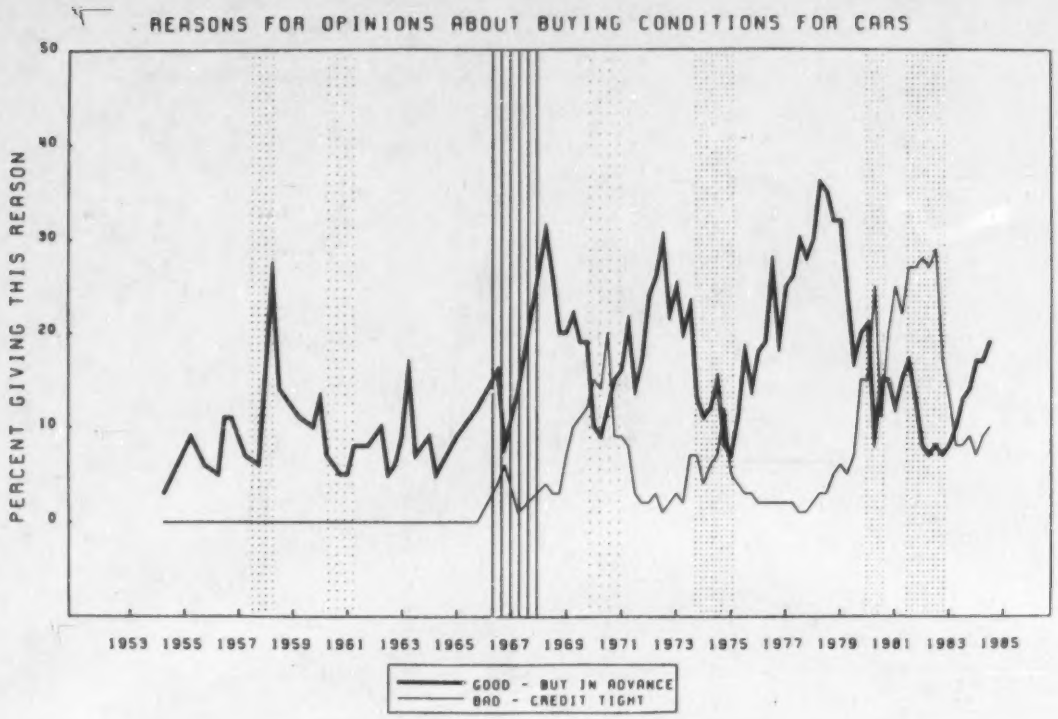
REASONS FOR OPINIONS ABOUT BUYING CONDITIONS FOR CARS
PERCENT GIVING THIS REASON
50
40
30
20
10
0
1953 1955 1957 1959 1961 1963 1965 1967 1969 1971 1973 1975 1977 1979 1981 1983 1985
GOOD - BUY IN ADVANCE
BAD - CREDIT TIGHT

CHART 25 - HISTORICAL SERIES

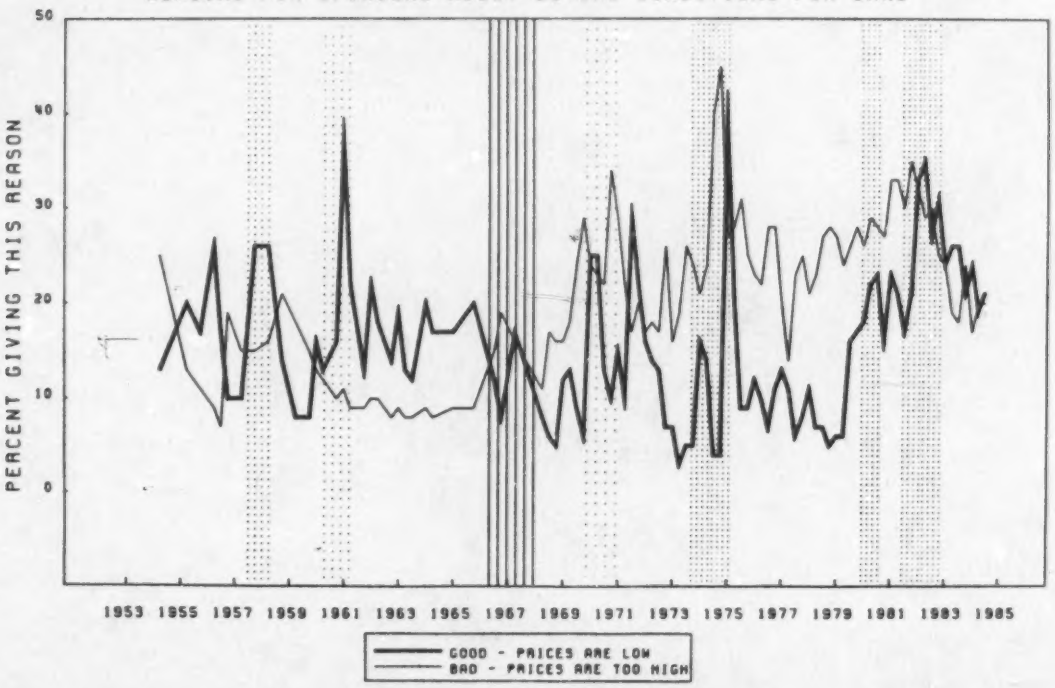
REASONS FOR OPINIONS ABOUT BUYING CONDITIONS FOR CARS
PERCENT GIVING THIS REASON
50
40
30
20
10
0
1953 1955 1957 1959 1961 1963 1965 1967 1969 1971 1973 1975 1977 1979 1981 1983 1985
GOOD - PRICES ARE LOW
BAD - PRICES ARE TOO HIGH

CHART 26 - HISTORICAL SERIES

BUYING CONDITIONS FOR HOUSES

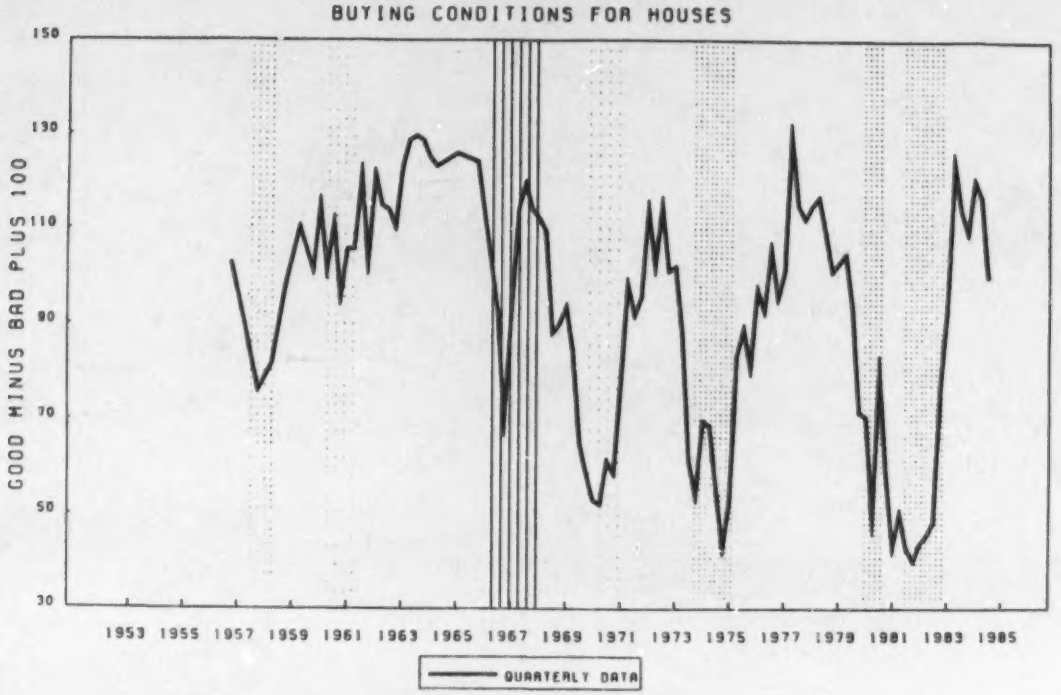

CHART 27

ATTITUDES TOWARD BUYING CONDITIONS FOR HOMES
AND TOTAL NEW AND EXISTING HOME SALES

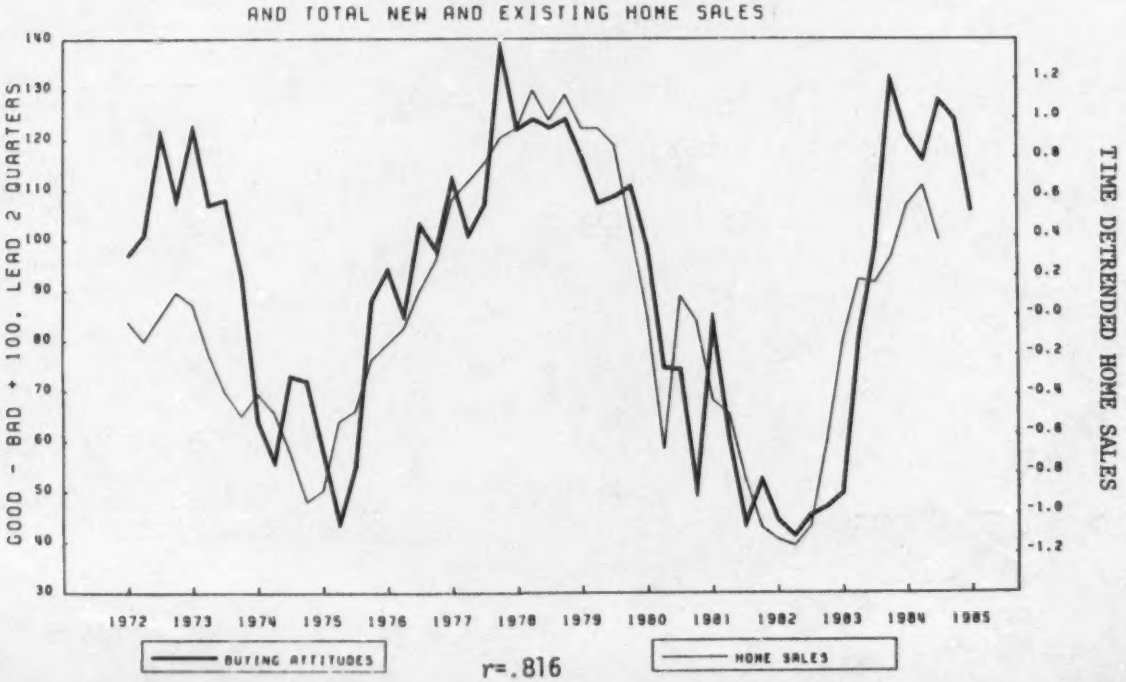

CHART 28 - HISTORICAL SERIES

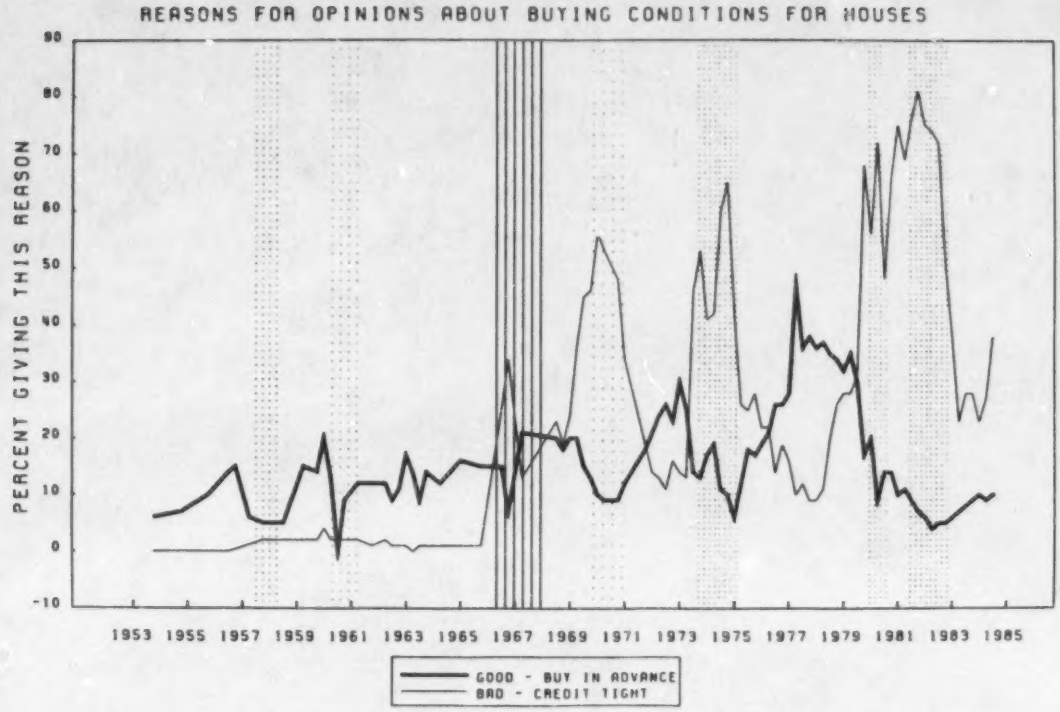

CHART 29 - HISTORICAL SERIES

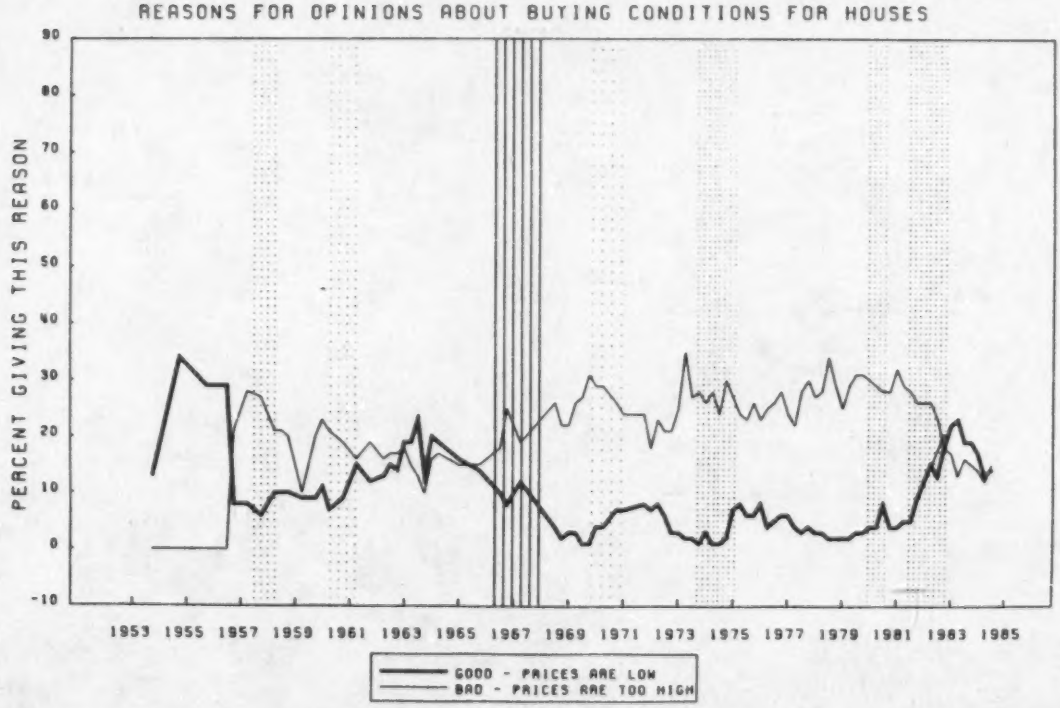

TABLE J

REFERENCES TO INTEREST RATES IN SUPPORT
OF FAVORABLE BUYING CONDITIONS

	Durables		Houses		Vehicles	
Survey Date	Low Rates	BIA Rates	Low Rates	BIA Rates	Low Rates	BIA Rates
1980:1	1	3	2	7	1	2
1980:2	2	2	9	3	3	1
1980:3	3	2	16	9	2	1
1980:4	1	2	3	8	1	2
1981:1	1	2	1	4	2	1
1981:2	1	2	3	4	2	1
1981:3	2	1	3	4	3	1
1981:4	1	1	2	2	4	1
1982:1	2	1	4	3	3	2
1982:2	1	1	4	2	8	1
1982:3	2	1	7	3	6	1
1982:4	5	2	25	5	18	1
1983:1	7	1	35	5	31	1
1983:2	12	2	48	9	38	2
1983:3	11	2	36	11	30	3
1983:4	6	1	29	10	18	2
1984:1	8	2	36	11	19	3
1984:2	7	5	25	20	14	6
1984:3	6	3	22	13	13	6

MILLIMETERS
0 10 20 30 40 50 60 70 80 90 100 110 120
MICROCOPY RESOLUTION TEST CHART
NBS - 1010a
(ANSI and ISO TEST CHART No. 2)
1.0
1.1
1.25
1.4
1.6
1.8
2.0
2.2
2.5
2.8
3.2
3.6
4.0
4.5
5.0
5.6
6.3
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